

MEMORANDUM

DATE: September 15, 2011

TO: Policy Committee

FROM: Ellen Cook, Senior Planner II
Jose Ribeiro, Senior Planner

SUBJECT: Affordable and Workforce Housing Opportunities Policy

During Stage I of the Zoning and Subdivision Ordinance update process, staff presented the Policy Committee with a proposal to create an affordable/workforce housing policy to clearly identify the County's expectations regarding the provision of affordable and workforce housing as part of residential rezoning applications. Following that meeting, the Board of Supervisors held a work session to discuss proposed amendments to the Zoning Ordinance, including the creation of an affordable/workforce housing policy geared toward households with earnings ranging from 30% to 120% of the area median income (AMI) as established by the U.S. Department of Housing and Urban Development (HUD). Among the suggestions made by Board members was the need to address the housing needs of the lower end of the affordable range. Attached to this memorandum are the draft policy (Attachment 1) and staff's answers to four questions pertaining to affordable housing posed by Board members (Attachment 2).

Housing Strategy No. 3 of the 2009 Comprehensive Plan states that the County should increase the availability of affordable and workforce housing, targeting households earning 30% to 120% of the AMI. Staff notes that the terms "affordable" and "workforce" housing have been used interchangeably to commonly describe the need for housing to low and moderate household incomes. However, for the purpose of this policy, a differentiation between affordable and workforce housing, based on income, is being made. Affordable housing is targeted to a household of four with earnings ranging from 30% to 80% of the AMI while workforce housing is targeted to households with earnings ranging from 81% to 120% of the AMI, the higher end of the AMI range. For further discussion on James City County AMI, please refer to Attachment 3.

The Comprehensive Plan encourages developments to provide housing that addresses the needs of households across a range of incomes. However, this policy recognizes that some households with earnings ranging from 30% to 80% of the AMI will likely be served by rental products and that actual provision of this product may not be feasible in all circumstances. For this reason, provision has been made in the policy for contributing to a Housing Fund that can be used by Office of Housing and Community Development to address these needs in the community as a whole.

Staff requests the Policy Committee offer comments on this draft policy prior to the Board of Supervisors work session in September 27, 2011.

Attachments:

1. Draft Affordable and Workforce Housing Opportunities Policy
2. Board of Supervisors Work Session in April 2011 - Questions from Board Members
3. Explanation of Area Medium Income (AMI) for James City County

DRAFT James City County Affordable and Workforce Housing Opportunities Policy

Purpose

The Housing Section of the 2009 Comprehensive Plan sets the following goal for the provision of housing in the county: *"Achieve high quality in design and construction of all residential development and neighborhood design, and provide a wide range of choices in housing type, density, price range, and accessibility."* In order to address the objectives of this goal, this policy is designed to increase the range of housing choices in the County through the provision of affordable and workforce housing in all rezoning that include a residential component.

In summary, this policy identifies criteria whereby the provision of affordable (rental and ownership) and workforce housing in residential rezoning cases is consistent, coherent and flexible. Provision of housing at different price ranges is a strategy to achieve the greater housing diversity described in the 2009 Comprehensive Plan.

1. Definitions

- a. **Affordable Housing:** Housing targeted at households earning 30 – 80% of Area Median Income (AMI)
- b. **Workforce Housing:** Housing targeted at households earning 81 – 120% of AMI

2. Provision and Integration of Housing Opportunity units

- a. At least 20% of a development's proposed dwelling units should be offered for sale or made available for rent at prices that are targeted at households earning 30-120% of Area Median Income (AMI). Of that 20%, the units should be targeted at the AMI ranges specified below:

Units targeted at:	Percent of the development's proposed dwelling units expected
30% - 80% of AMI	10%
81% – 120% of AMI	10%

- b. These units should be fully integrated in the development with regard to location, architectural detailing, quality of exterior materials, and general appearance.

3. Applicability of Cash Proffers for Affordable and Workforce Housing Units

- a. Units targeted at household meeting 30 – 120% of AMI would have reduced expectations for proffers in accordance with the amounts set forth in the Cash Proffer Policy for Schools, other typical cash proffers related to water and sewer improvements (typically proffered to the James City Service Authority), and other public facility and infrastructure capital improvement program items. The reductions in the expected proffer amounts would be as follows:

Units targeted to:	% Cash proffer reduction:
30% - 60% of AMI	100%
61% - 80% of AMI	60%
81% – 120% of AMI	30%

5. Retention of Housing Opportunity Units over time

- a. For rental units, units must be made available at rents that are targeted at households earning 30% - 60% of AMI for a period of at least thirty years.
- b. For for-sale units, sales of all targeted units as specified in #2 shall include a soft second mortgage payable to the benefit of James City County. The term of the soft second mortgage shall be at least fifty years. In addition, a provision shall be included in the deed that establishes a County right-of-first refusal in the event that the owner desires to sell the unit.

6. In-lieu Contribution to the Housing Fund

Applicants may choose to offer cash contributions in-lieu of the affordable and workforce housing units specified above. Such cash contributions shall be paid to the James City County Housing Fund. The Housing Fund will be used to increase the supply and availability of units targeted at households earning 30-120% of AMI in the County. If applicants choose to offer a cash contribution in-lieu of construction of the units, the guideline minimum amount shall be:

Units targeted at:	Cash in-lieu amount
30% - 80% of AMI	The cost to construct a 1200 square foot dwelling as determined below
81% - 120%	The cost to construct a 1400 square foot dwelling as determined below

Every February the Director of Housing and Community Development shall establish the average square foot cost to construct an affordable dwelling unit. The cost shall be determined based on the cost information provided by at least three builders of affordable dwellings in James City County. If no affordable housing costs are available from James City County builders, the Director at his sole discretion may consult builders from nearby localities.

7. Procedures

- a. For rental units, the developer shall make assurances acceptable to the County Attorney that the development will provide a statement of rental prices for the proffered affordable and workforce units for each year of the thirty year term.
- b. For for-sale units, the developer shall offer units at prices that fit within the affordable or workforce housing price range as stated in the definitions¹, which shall be calculated and made available on an annual basis by the County.
 - i. In terms of the soft-second mortgages, James City County Office of Housing and Community Development (OHCD) shall be assigned a second deed of trust for the difference of the market rate sales price and the sales price of the proffered unit, which shall be prepared for review prior to closing and assigned at the time of closing, utilizing appropriate approved procedures and identifying the net sales price paid by the purchaser of the unit. The second deed of trust will be prepared by the Owner as a forgivable loan, for the term specified in Section 5 above, in a form approved by OHCD, the County Attorney, and Virginia Housing Development Authority.

¹ The prices shall be established based on payment of 30% of household income toward housing cost.

- ii. Owner shall consult with and accept referrals of, and sell to, potential qualified buyers from the James City County OHCD on a noncommission basis.
- iii. Prior to closing, OHCD shall be provided with copies of the HUD deed and the original deed of trust and note for the soft second.

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Board of Supervisors Work Session in April 2011
Questions from Board Members

The following information requests were discussed at the Board of Supervisors work session in April, 2011.

1. BOS Question: What are vacancy rates in the County's rental apartments?

In May 2011, *Inside Business* (a journal covering Hampton Roads) cited a CB Richard Ellis report that the apartment vacancy rate in James City County was 6.8%, as compared to Newport News at 8.4%; Hampton at 6.9%; York County at 6.8%; and Williamsburg at 4.4%. (<http://www.insidebiz.com/news/apartment-market-stays-strong-landlords-dream>)

As additional background information, the Housing Needs Assessment for James City County and Williamsburg, Virginia (Housing Needs Assessment), prepared in December 2007 by the Virginia Tech Center for Housing Research, concluded the housing gap for affordable rental housing was approximately 1,485 units for the population earning 80% or less of AMI.

2. BOS Question: For the affordable housing units that have been proffered and built in the last five or so years, who is living in those units – where are they from, where do they work?

Not all proffered affordable/workforce units are sold with involvement of the County's Office of Housing and Community (OHCD) development, so staff does not have complete data. However, OHCD was able to share that of the 261 proffered units for which they were involved and have data, all but 15 were sold to people who resided in James City County or who worked in the County or the City of Williamsburg.

3. BOS Question: Can we produce an update to the housing inventory by price increment that the assessor's office put together a few years ago?

Table 1 below was provided by staff during the 2009 Comprehensive Plan update. The ranges shown correspond to prices affordable to households earning 30, 50, 80, 95, 100, 120, and greater than 120 percent of Area Median Income (AMI) respectively. Table 2 below shows an update of Table 1 with updated dollar ranges based on 2011 AMI figures and a re-inventory of the County's housing stock by the Real Estate Assessments Division. The updated data shows nearly 59% of all residential properties in the County were assessed at a value of \$245,520 and above, outside the affordable range for those families earning 120% AMI. This number has declined slightly from 2009, when that percentage was approximately 62%¹.

¹ Staff notes this table includes all residential properties. The Dollar Range in this table represents total value, including land and improvements. Some of these properties may have no structures or non-residential structures only (such as garages or other typical out-buildings). Additionally, the structures on the property could be in any physical condition, including uninhabitable. Mobile homes may also be included in this list, although sometimes they are taxed as personal property depending upon the structure's specifics.

It is also important to note the table includes properties that are not for sale, and even those that may be for sale may sell for prices above or below the assessed value, depending upon market conditions. If a property is not on the market it is not available to families seeking affordable or workforce housing. For these reasons the JCC Office of Housing and Community Development relies upon sales price data as a more relevant factor in determining the quantity of affordable housing needed in the community, (which is estimated at 1,950 units for owner occupation and 1,485 rental units, according to the *Housing Needs Assessment*).

Table 1. Housing Inventory by Price Increment - 2009

AMI	Dollar Range	Number of Properties (Jan 2009)	Percent of Total
30	\$0-\$58,650	1,906	6.56%
50	\$58,651-\$97,650	1,698	5.84%
80	\$97,651-\$156,300	2,595	8.93%
95	\$156,301-\$185,550	2,057	7.08%
100	\$185,551-\$195,300	659	2.27%
120	\$195,301-\$234,300	2,225	7.66%
Greater than 120%	\$234,301 and above	17,913	61.66%
	TOTAL	29,053	100.00%

Table 2. Housing Inventory by Price Increment - 2011

AMI	Dollar Range	Number of Properties (Aug 2011)	Percent of Total
30	0 - \$61,400	2,055	6.95%
50	\$61,401 - \$102,300	1,475	4.99%
80	\$102,301 - \$122,760	968	3.28%
95	\$122,761 - \$163,650	2,115	7.16%
100	\$163,651 - \$204,600	2,763	9.35%
120	\$204,601 - \$245,520	2,762	9.35%
Greater than 120%	\$245,521 and above:	17,417	58.93%
	TOTAL	29,555	100.00%

4. BOS Question: Where in the County are the opportunities for apartments?

Apartments are a use permitted in the existing R-4, Residential Planned Community, R-5, Multi-family residential, PUD, Planned Unit Development, and MU, Mixed Use districts, as well as the new EO, Economic Opportunity and R-3, Residential Redevelopment, districts. In terms of Comprehensive Plan designations this would also correspond to Low Density Residential (typically apartments would occur within a master planned community with a lower overall density), Moderate Density Residential, Mixed Use, and Economic Opportunity. There is currently one Economic Opportunity-designated area (roughly 900 overall acres) and thirteen areas designated Mixed Use (roughly 500 undeveloped acres, as estimated in the 2009 Comprehensive Plan). Areas designated Moderate Density Residential occur at various locations throughout the County, and Low Density Residential is the second-most prevalent designation in the County. Many of the County's recent affordable and workforce units have been proffered in connection with developments proposing mixed use zoning.

Explanation of Area Medium Income (AMI) for James City County

According to the Federal Housing Finance Agency (FHFA) the 2011 Area Median Income (AMI) for family of four in James City County is \$69,900. Affordable housing, as defined by the U.S. Department of Housing and Urban Development (HUD), are targeted for households earning 30% to 120% of the AMI. In James City County, these percentages are equivalent to incomes ranging from \$20,970 to \$83,880. Table No. 1 provides further information regarding the AMI percentages and their respective incomes.

Table 1

Percentage	Income
120%	\$83,880
110%	\$76,890
100%	\$69,900
90%	\$62,910
80%	\$55,920
70%	\$48,930
60%	\$41,940
50%	\$34,950
40%	\$27,960
30%	\$20,970
20%	\$13,980
10%	\$6,990

Source: James City County Planning Division and Federal Housing Finance Agency

Based on the most recent demographic information available for James City County there are a total of 25,749 households in the county. Table 2 provides information regarding household numbers and income ranges.

Table 2

No. of Households	Income Range
717	Less than \$10,000
671	\$10,000-\$14,999
1,726	\$15,000-\$24,999
1,804	\$25,000-\$34,999
3,154	\$35,000-\$49,999
5,298	\$50,000-\$74,999
3,630	\$75,000-\$99,999
5,055	\$100,000-\$149,999
1,887	\$150,000-\$199,999
1,807	Above > \$200,000

Source: 2007-2009 American Community Survey

Although the information provided on Table no. 2 is not the most current (data from the 2010 Census is not available), it is the most recent. By comparing information found on both tables, it is possible to estimate the number of households with incomes ranging from 30% to 120% of the AMI (i.e. \$20,970-\$83,880) as approximately 10,256 households.